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Approved For Release 2006/04/19 : CIA-RDP85T00875R001500140011-5

Approved For Release 2006/04/19 : CIA-RDP85T00875R001500140011-5

CIA/OER EIWA 73-4-26

Secret

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Economic Intelligence Weekly

Secret

CIA No. 7416
26 April 1973

Copy No. 175

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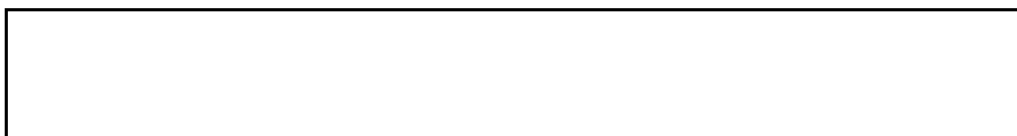
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Note: Comments and queries on the contents of this publication are welcomed. They may be directed to



SECRET**ECONOMIC INTELLIGENCE WEEKLY****Notes****Japan Remains a Leading Capital Supplier**

Long-term capital outflows reached \$2.2 billion in the first quarter of 1973 as Japan continues to gain importance as a supplier of international funds. Outflows in the first quarter equaled nearly one-half the full year 1972 total and consisted of loans to multinational corporations, followed by purchases of foreign securities and direct investments abroad. Tokyo is encouraging these outflows as a means to slow down a further buildup of foreign exchange reserves. (UNCLASSIFIED)

US Valves to Be Supplier? for Soviet Reactor in Finland

Rockwell International has received an order for valves to be used in the containment vessel of a nuclear power reactor that the USSR is building in Finland. The Soviet Union cannot produce valves that meet the strict safety standards demanded by Western countries. Helsinki earlier decided to buy an ice condenser containment system for the reactor from the US Westinghouse Company, rather than accept a Soviet-designed system with less rigorous safety standards. The USSR's inability to provide these items hampers its competitive position with US firms selling power reactors to countries that demand strict safety precautions. (UNCLASSIFIED)

Soviet Car Plant to Be Expanded

Construction of new facilities at the Volga automobile plant at Tol'yatti, planned for 1975-78, may lead to substantial sales by US producers of automotive machinery. The Soviets will double the capacity of the plant from 660,000 cars a year to 1.3 million with the help of Fiat of Italy. The USSR spent almost \$600 million in the West to build the Tol'yatti plant, including more than \$50 million in the United States for technology, licenses, and machinery. (CONFIDENTIAL)

United States Faces Competition in Uranium Enrichment

The United States faces competition in performing uranium enrichment services for Western countries, a business that is expected to grow from \$61 million in 1972 to \$1 billion annually by 1985. A recent increase in the US price of toll enrichment, as well as proposed changes in contract terms, have given other potential suppliers hope that they can compete

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in the world market for enrichment services. The USSR is actively seeking contracts with several West European countries. The French have offered enrichment services to West Germany, and the German-British-Dutch centrifuge enrichment group plans to increase by one-third the size of its initial demonstration plants. For the longer run, the EC Commission recently re-emphasized the need for an EC enrichment capability in 1980-85 to provide an assured supply of nuclear fuel for West European nuclear power plants. (CONFIDENTIAL)

Jordan Requests Immediate PL-480 Aid from the United States

Amman is seeking accelerated deliveries of \$10 million in relief grains to offset emerging domestic shortages resulting from drought damage to the wheat crop. In some areas of East Jordan the wheat crop is a total loss. Grain prices have soared more than 30% since mid-January, and lambs are being slaughtered at a sharply increased rate because of a reduction in pasture land. (UNCLASSIFIED)

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Soviets Continue to Buy Grain

So far in 1973 the Soviets have bought, or are rumored to have contracted for, nearly 8 million tons of grain worth some \$600 million. Members of the Canadian Wheat Board are now in Moscow, possibly to conclude a new grain deal.

Known contracts are with:

- Canada for 1.5 million tons of wheat and 500,000 tons of barley.
- France for 300,000 tons of feed barley.
- Australia for 300,000 tons of grain sorghum.
- Hungary or Romania for 100,000 tons of corn.

Rumored contracts are with:

- The United States for 5 million tons of corn.
- Argentina for 100,000 tons of corn.

By this time last year, the Soviets had purchased 3.5 million tons of the total 28 million tons (\$1.7 billion) bought in 1972. Unlike last year when the majority of the contracts were for delivery by the middle of 1973, almost all of the known new contracts are to be delivered by October. This may mean that the Soviets have not yet received adequate imports to tide them over to their next harvest. Almost all of the contracts are for feed grain, reflecting the continuing need of the Soviet livestock program as well as a desire to take advantage of the relatively lower world prices for feed grains.

The Soviets now have time-chartered enough bulk carriers to enable them to move a volume of grain during FY 1974 almost equal to the amount moved during FY 1973. With charter rates likely to remain high, the Soviets probably feel confident that they will be able to re-let some of the chartered tonnage to other shippers in the event a bumper crop eases their import requirements.

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US Trade Deficit with Canada Persists

The US trade deficit with Canada did not narrow last year, because our economic upswing spurred imports and the Canadian dollar remained basically undervalued. Labor cost differentials and pressing raw materials requirements attracted substantial US funds into Canadian manufacturing and mining. These flows plus the provincial governments' borrowing across the border kept the US basic balance deficit at about \$1 billion.* The United States ended the year with a small bilateral payments surplus only because of a sudden increase in short-term capital inflows arising from a switch in interest rate differentials.

Accelerating Canadian consumer spending and improved price competitiveness for American goods generated an 18% rise in US exports. Our own high economic growth rate caused imports to increase almost as fast, however, and the US trade deficit held steady at \$1.1 billion -- about one-fourth of the global US deficit. One result of the Canadians' buying spree was a slackening growth of Canadian automotive exports and a large gain in automotive imports. The US deficit in automotive products trade practically disappeared, whereas \$194 million in deficits were incurred in 1970 and in 1971.

Although Canadian exports to the United States will benefit from February's currency revaluations in Japan and Western Europe, a small decline in the US bilateral trade deficit is expected if Canada's economic growth surpasses the US rate, as seems likely. Another large gain in Canadian automobile purchases is in prospect, for example, and probably will result in a sizable US surplus in bilateral automotive trade. Nonetheless, the US basic balance with Canada is unlikely to improve much. Bullish business conditions in Canada will accelerate requirements for long-term funds and will further boost US capital exports. (UNCLASSIFIED)

* The figures in this article, which is drawn from a study of Canada's global balance of payments, are from Canadian sources. US data on transactions with Canada typically show major differences from the Canadian statistics. According to US sources, the basic balance deficit with Canada amounted to \$1.5 billion in 1972.

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Publication of Interest

**Eastern Europe: A Record Agricultural Performance in 1972
and Prospects for 1973**

(CIA ER IR 73-5, April 1973,)

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Good agricultural results throughout Eastern Europe in 1972 permitted a reduction in grain imports, an increase in livestock production, and improvement in domestic food supplies. Current prospects for the 1973 winter grain harvest are mediocre, and grain imports, mainly from the West, may have to be increased in FY 1974.

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